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CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19

AID-20 COME-00 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 STR-08 CEA-02 OIC-04

DRC-01 /270 W

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R 301935Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5988

INFO AMEMBASSY BONN

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PASS AGRICULTURE

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E.O. 11652: N/A

SUBJECT: INTERNATIONAL WHEAT COUNCIL MEETING

TAGS: EAGR

1. SUMMARY. INTERNATIONAL WHEAT COUNCIL (IWC) 67TH SESSION HELD LONDON NOV. 26 - 29. W. D. MINER OF CANADA SERVED AS CHAIRMAN. DUE TO INABILITY OF EUROPEAN COMMUNITY (EC) TO ACT ON EXTENSION OF FOOD AID CONVENTION, COUNCIL DECIDED TO POSTPONE UNTIL FEB. 21, 1974 THE CONFERENCE OF GOVERNMENTS TO BE CALLED TO APPROVE PROTOCOLS FOR EXTENDING PRESENT INTERNATIONAL WHEAT AGREEMENT BEYOND JUNE 30, 1974. COUNCIL CONCLUDED THAT DUE TO RECENT IMPROVEMENTS IN HARVEST PROSPECTS, PARTICULARLY IN USSR, WORLD WHEAT IMPORT REQUIREMENTS AND EXPORT SUPPLIES ARE NOW ABOUT IN BALANCE FOR 1973/74.

2. WHEAT AGREEMENT EXTENSION. COUNCIL DECIDED POSTPONE UNTIL FEBRUARY 21, 1974 CONFERENCE OF GOVERNMENTS WHICH HAD BEEN SCHEDULED TENTATIVELY FOR NOVEMBER 30, 1973 TO CONSIDER DRAFT PROTOCOLS FOR EXTENSIONS OF WHEAT TRADE CONVENTION (WTC) AND FOOD AID CONVENTION (FAC) WHICH TOGETHER COMPRISE INTERNATIONAL WHEAT AGREEMENT 1971 AND DUE EXPIRE JUNE 30, 1974. REASON FOR POSTPONEMENT IS TO PROVIDE EC MAXIMUM POSSIBLE TIME TO ACQUIRE APPROVALS WITHIN COMMUNITY FOR ITS CONTINUED PARTICIPATION IN FAC.

3. EC DELEGATION CAME TO IWC WITH AUTHORITY TO COMMIT EC ONLY TO PARTICIPATION IN WTC AND NOT FAC. ALL OTHER PRESENT FAC MEMBERS (E.G. U.S., CANADA, AUSTRALIA, ARGENTINA, JAPAN, SWITZERLAND AND SWEDEN) TOOK POSITION IN COUNCIL THAT PROVISIONS FOR EXTENSIONS OF WTC AND FAC SHOULD PROCEED IN PARALLEL AND FAILURE OF SECOND LARGEST DONOR (E.G. EC) TO CONTINUE ITS FAC PARTICIPATION WOULD RAISE SERIOUS QUESTIONS WHETHER FAC SHOULD BE CONTINUED.

4. EC DELEGATE (EATON) EMPHASIZED REPEATEDLY THAT HE COULD GIVE NO ASSURANCE THAT EC WOULD BE ABLE ACQUIRE NECESSARY APPROVALS BY FEB. 21 NOR COULD HE GIVE LIMITED OFFICIAL USE

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ASSURANCES THAT EC WOULD CONTINUE ITS PARTICIPATION IN FAC BEYOND JUNE 30, 1974. HE WOULD ONLY SAY THAT EC SUPPORTS CONTINUATION OF WTC AND THAT EC PREPARED PARTICIPATE TO THAT EFFECT IN A CONFERENCE OF GOVERNMENTS. EC RECEIVED NO SUPPORT FROM ANY OTHER DELEGATION FOR ITS POSITION.

5. DURING DISCUSSION RENEWAL WTC, EC INDICATED THAT IT

IS "VERY CONSCIOUS OF RESPONSIBILITY FOR FOOD AID," AND
THAT MAIN PROBLEM WITHIN EC CONCERNS "MECHAMISM, I.E.
WHICH CHANNEL."

6. USSR DELEGATE (POLEZHAEV OF FORTRADEMIN) EMPHASIZED
USSR CAME TO LONDON PREPARED TO PARTICIPATE IN CONFER-
ENCE OF GOVERNMENTS TO APPROVE PROTOCOL FOR EXTENSION
OF WTC AND IN COUNCIL MEETING HE WAS VISIBLY IRRITATED
BY POSTPONEMENT. HE TOLD U.S. DEL PRIVATELY, HOWEVER,
THAT HE UNDERSTOOD REASONS FOR FAC MEMBERS OTHER THAN
EC WANTING TO POSTPONE DECISION AND POSTPONEMENT WOULD
NOT AFFECT USSR POSITION REGARDING SUPPORT FOR EXTENSION.

7. COMMENT. U.S. AND OTHER FAC MEMBER DELEGATIONS
BELIEVE COUNCIL DECISION TO POSTPONE CONFERENCE OF

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R 301935Z NOV 73

FM AMEMBASSY LONDON

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INFO AMEMBASSY BONN

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GOVERNMENTS UNTIL SPECIFIC DATE IN EARLY 1974 WILL PUT MAXIMUM PRESSURE ON EC TO COME TO A FAVORABLE DECISION TO CONTINUE ITS PARTICIPATION IN FAC. CANADA, AUSTRALIA AND JAPANESE DELS IN PRIVATE QUESTIONED VALUE OF CONTINUING FAC IF EC DOES NOT CONTINUE TO PARTICIPATE. THERE IS ALSO GENERAL FEELING THAT UNDER PRESENT CIRCUMSTANCES ONUS FOR BREAKING UP FAC WILL BE CLEARLY ON EC IF IT IS NOT CONTINUED. ALTHOUGH CANADA AND AUSTRALIA COULD CONCEIVABLY HAVE GONE ALONG WITH STRONG U.S. ATTEMPT TO PROCEED WITH WTC EXTENSION ALONE AT THIS MEETING, IT APPEARED CLEAR TO ALL THAT THIS COULD MEAN END OF FAC FOR WHICH MAJOR EXPORTERS WOULD HAVE SHARED BLAME. BY WITHHOLDING WTC EXTENSION, THERE SHOULD BE NO DOUBT AMONG LDC'S IN FUTURE, EVEN IF FAC FAILS IN FEBRUARY, THAT EXPORTERS SOUGHT EVERY POSSIBLE OPPORTUNITY TO PRESERVE IT.

8. ALL BUT TWO DELEGATIONS (PORTUGAL AND AUSTRALIA) SUPPORTED PROTOCOL EXTENSIONS FOR TWO YEARS (E.G. UNTIL JUNE 30, 1976). PORTUGAL PUSHED FOR THREE YEAR EXTENSIONS ON BASIS IT WOULD TAKE THAT LONG FOR WORLD WHEAT SITUATION TO RETURN TO NORMAL (SIC PRE-JUNE 1972 SITUATION). AUSTRALIA DEL AUTHORIZED TO SUPPORT ONLY ONE YEAR EXTENSION BUT HAS ASKED CANBERRA TO RECONSIDER ITS POSITION AS RESULT CONSENSUS BY OTHER MEMBERS. PROTOCOLS PROVIDE FOR REPLACEMENT BY NEW AGREEMENT IF ONE NEGOTIATED BEFORE JUNE 30, 1976.

9. OTHER THAN EC'S INDECISION REGARDING FAC, ONLY OTHER MAJOR PROBLEM LEFT OUTSTANDING IS ONE WITH USSR REGARD-

ING THE WORDING IN WTC PROTOCOL PROVIDING FOR NEGOTIATION OF NEW IWA. USSR DEL OBJECTED TO WORDING IN DRAFT PROTOCOL THAT WOULD ALLOW NEW AGREEMENT BE NEGOTIATED OUTSIDE PROVISIONS OF ARTICLE 21 OF WTC WHICH PROVIDES FOR SECRETARY GENERAL OF UNCTAD TO CALL WHEAT NEGOTIATING CONFERENCE WHENEVER IWC JUDGES NEW AGREEMENT CAN BE SUCCESSFULLY NEGOTIATED.

10. USSR DELEGATION ADVISED U.S. DEL PRIVATELY THAT USSR CONCERNED THAT NEW IWA WILL BE NEGOTIATED UNDER LIMITED OFFICIAL USE

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GATT AUSPICES (SUCH AS HAPPENED WITH 1967 INTERNATIONAL GRAINS ARRANGEMENT) AND USSR WOULD NO LONGER BE ABLE TO PARTICIPATE. USSR DEL SAID HE COULD NOT SEE USSR PARTICIPATING IN IWA IN WHICH USSR DID NOT HELP NEGOTIATE. USSR DEL EMPHASIZED USSR SATISFACTION WITH FORM OF PRESENT WTC. U.S. DEL CONFIDENT THAT SATISFACTORY WORDING CAN BE WORKED OUT WITH SOVIETS PRIOR TO FEBRUARY 21 CONFERENCE OF GOVERNMENTS BUT CONSULTATIONS WITH SOVIETS MAY BE REQUIRED IN INTERIM.

11. EARLY IN WEEK, CANADA OUTLINED OVERALL POSITION AS FOLLOWS: THEY STRONGLY SUPPORT COOPERATION IN WHEAT TRADE, WOULD NOT AT THIS SESSION BE PREPARED TO EXTEND WTC WITHOUT EXTENSION FAC, AND ARE PREPARED AT ANY TIME TO ENTER INTO RENEGOTIATION OF PRICE PROVISION AND CONTINUATION OR EVEN ENLARGEMENT OF FOOD-AID PROVISIONS; WHILE THEY PREPARED PARTICIPATE IN NEGOTIATION WITHIN GATT, THEY ANXIOUS TO HAVE SOME PARTICIPATION BY COUNTRIES NOT MEMBERS OF GATT. SEVERAL TIMES DURING MEETINGS, CANADA IN THIS CONNECTION SUGGESTED THAT WORKING PARTY BE SET UP UNDER IWC TO BEGIN WORKING ON ISSUES, PRICING, GRADES, STOCKS-HOLDING, COSTS OF STOCKS-HOLDING, RULES ON CONCESSIONAL SALES, ETC. FINDING ONLY LIMITED SUPPORT FOR THIS IDEA, AND SINCE SOME DELS POINTED OUT THAT SUGGESTION IS PREMATURE SO LONG AS EXTENSION WTC ITSELF IS IN QUESTION, CANADA ASKED THAT AT LEAST EXEC COMMITTEE EXPLORE WORKING PARTY IDEA FURTHER PRIOR TO JUNE 1974 COUNCIL MEETING. LATTER DREW SOME SUPPORT AND NO OBJECTION AND WAS THEREFORE ACCEPTED BY COUNCIL.

12. WHEAT SITUATION REVIEW. COUNCIL REPORT OF 73/74 OUTLOOK WILL SHOW WORLD IMPORTS ESTIMATED AT 65.0 MILLION TONS AGAINST EXPORT AVAILABILITIES OF 65.5 TO 68.0 MILLION TONS, WITH LATTER BROKEN DOWN US 31.3 (1,150 MIL BU), CANADA 14.0, AUSTRALIA 6.0, ARGENTINA 1.5, USSR 5.0, EC 6.2 TO 8.2, AND ALL OTHERS 1.5 TO 2.0. PRODUCTION FOR E. EUROPE FOR 1973 SHOWN AT 26.5 (EXCLU-

DING YUGOSLAVIA) AGAINST 24.6 FOR 1972. AUSTRALIAN
WHEAT BOARD REPS ESTIMATE CURRENT CROP AT 425 MILLION
BUSHEL. COMMENT: BASED ON PRIVATE CONVERSATIONS,
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APPEARS DOUBTFUL THAT CANADA EXPORTS WILL REACH 14.0
OR THAT EC WILL EXCEED 6.2; THESE COULD MEAN ONLY 1
MILLION TON DRAW-DOWN CANADIAN STOCKS AND LIKELY SOME

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DRC-01 /270 W

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R 301935Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5990

INFO AMEMBASSY BONN

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INCREASE EC STOCKS.

13. ARGENTINE REP INDICATED THAT DUE TO VERY GOOD WEATHER CONDITIONS, THEY NOW EXPECT YIELD 1,300 KILO PER HECTARE, WITH 1973 CROP AT 5.5 MILLION TONS AND JULY-JUNE 73/74 EXPORTS AT 1.5 MILLION TONS. EC ESTIMATES DENATURING VOLUME AT 6 MILLION TONS. CANADA REPORTED THAT 1.5 MILLION TONS 1973 GRAIN CROP (0.5 OF WHEAT) ARE LEFT UNDER SNOW AND WILL NOT BE HARVESTED UNTIL MAY 1974; ALSO, THAT ABOVE NORMAL QUANTITY OF 1973 GRAIN CROP (4 MILLION TONS) WAS HIGH-MOISTURE CONDITION.

14. DISCUSSIONS OF DRAFT ANNUAL REVIEW OF WORLD WHEAT SITUATION, COVERING BOTH REVIEW OF 1972/73 AND OUTLOOK FOR 73/74, GENERALLY PROVIDED ONLY SCANT DEBATE AND A FEW MINOR SUGGESTIONS FOR CORRECTION OR UP-DATE OF TEXT. US DEL DREW COUNCIL'S PARTICULAR ATTENTION TO REVIEW DRAFT LANGUAGE WHICH STATED AS FOLLOWS WITH REFERENCE 1973/74: "AS THE CROP YEAR HAS GONE ON, THE TIGHTNESS OF THE SUPPLY SITUATION HAS PROGRESSIVELY RELAXED, OWING MAINLY TO A CONTINUATION OF IMPROVED HARVEST PROSPECTS AND OF MEASURES TAKEN BY EXPORTING COUNTRIES TO MAXIMIZE THEIR EXPORT AVAILABILITIES, INCLUDING A DRAW-DOWN OF STOCKS." ALLUDING TO FACT THAT COUNTRIES OTHER THAN USA, NOTABLY CANADA AND EC, HAD AS YET DONE LITTLE TO MAXIMIZE EXPORTS OR DRAW DOWN STOCKS, US DEL TOOK OPPORTUNITY TO EXPLAIN HOW US ALONE HAD KEPT MARKET OPEN TO FOREIGN BUYERS, THOUGH AT SUBSTANTIAL COST TO DOMESTIC CONSUMERS, AND THAT OF TOTAL 1973/74 STOCK DRAW-DOWN OF ABOUT 7 MILLION TONS NOW PREDICTED FOR MAJOR EXPORTERS (INCLUDING EC), THE US WOULD LIKELY ACCOUNT FOR AT LEAST 5, AND POSSIBLY EVEN A HIGHER PROPORTION DEPENDING UPON FINAL OUTCOME OF YEAR'S FIGURES. COMMENTING UPON SUG-

GESTION BY SOME COUNTRIES THAT "CERTAIN EXPORTERS" HAD SOLD HEAVILY TO "ONE-TIME" CUSTOMERS AND NOT MET NEEDS OF TRADITIONAL BUYERS, US DEL POINTED OUT THAT DESPITE LARGE 72/73 AND 73/74 SALES TO "NEW CUSTOMERS," SHIPMENTS TO OTHER MARKETS ROSE BY 5 MILLION TONS (ABOUT 30 PERCENT) BETWEEN 1971/72 AND 1972/73 AND ARE EXPECTED TO RISE BY ANOTHER 1 TO 2 MILLION TONS TO EVEN MORE LIMITED OFFICIAL USE

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EXCEPTIONAL LEVEL IN 1973/74.

15. US DEL ALSO DREW COUNCIL ATTENTION TO DRAFT WORDING WHICH INDICATED THAT "WITH AIM OF ENCOURAGING WHEAT EXPORTS AND REDUCING TENSION IN THE INTERNATIONAL WHEAT MARKET" EC HAD REDUCED DENATURING PREMIUM TO 7 U/A AND CUT EXPORT LEVY FROM 60 U/A (PER TON) TO 30 U/A. US DEL POINTED OUT THAT EXPORT LEVY HAD IN FACT TENDED TO NEGATE THE EFFECT WHICH LOWER DENATURING PREMIUM MIGHT OTHERWISE HAVE HAD ON EXPORTS AND THAT, MOREOVER, THE EC EXPORT LEVY HAS RECENTLY BEEN TWICE INCREASED, FIRST TO 40 U/A AND NOW TO 50 U/A PER TON. DESPITE PREDICTIONS OF 6 TO 8 MILLION TONS EXPORTS FOR 1973/74, EC DEL IN EXEC COMM MEETING ADMITTED THAT THUS FAR ONLY ABOUT 3 MILLION TONS (INCLUDING FLOUR) HAD BEEN LICENSED FOR EXPORT.

16. US DEL POINTED TO FACT THAT RIGID PRICE SYSTEMS IN MANY COUNTRIES, ESPECIALLY SOME WITH IMPORTANT FEED USAGE OF GRAINS, INCLUDING WHEAT, HAD EFFECT OF CAUSING CONSUMPTION TO BE ALMOST TOTALLY INSENSITIVE TO WORLD PRICE CHANGES. (RE THIS ITEM, EXEC SEC LATER RESPONDED BY NOTING THAT, DESPITE SOME UPWARD REVISION IN 1973 CROP OUTTURN FORECASTS FOR IMPORTING COUNTRIES SINCE LAST SUMMER, COUNCIL'S ESTIMATE OF 73/74 WORLD WHEAT IMPORT REQUIREMENT OF 64.0 MILLION TONS LAST JUNE WAS ACTUALLY NOW INCREASED TO 65.0 MILLION, EVEN THOUGH PRICES HAD SINCE RISEN BY 60 TO 80 PERCENT.) US DEL EMPHASIZED THAT SUCH INSENSITIVITY TO MARKET MAY WELL HAVE SHARPLY EXAGGERATED THE RISE IN PRICES, THUS INCREASING THE PRICE BURDEN UPON COUNTRIES WITH FREE MARKET SYSTEM, AND LIMITING THE ONE AVAILABLE MEANS FOR SHORT-TERM BALANCING OF SUPPLY AND DEMAND, I.E. BY RESTRICTING GRAIN USAGE, ESPECIALLY FOR ANIMAL FEED.

17. IN BRIEF DISCUSSION 74/75 PROSPECTS, EXEC SEC PRESENTED CALCULATION SHOWING APPROXIMATE WORLD WHEAT CONSUMPTION 73/74 AT 335 MILLION TONS (EXCLUDING PRC) AND LIKELY 74/75 LEVEL OF 345 MILLION, ASSUMING GROWTH PER RECENT TREND. ESTIMATING PRC NET IMPORTS AT 5 MILLION TONS AND ALLOWING FOR 5 MILLION TON REPLENISHMENT EXPORTER STOCKS BY END 74/75, EXEC SEC ESTIMATED

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THAT TOTAL CROP OUTSIDE PRC WILL NEED TO BE 355 MILLION
TONS, OR 17 MILLION ABOVE 73/74. ONLY SUBSTANTIVE

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DRC-01 /270 W

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R 301935Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5991

INFO AMEMBASSY BONN

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RESPONSE WAS US STATEMENT INDICATING THAT (1) APPROXIMATELY 5 MILLION TON CROP INCREASE EXPECTED FOR 1974 AND (2) THOROUGH REVIEW FUEL AND FERTILIZER SUPPLY PROSPECTS IN RECENT DAYS, TOGETHER WITH PRIORITIES BEING ATTACHED ALLOCATION OF AVAILABLE US SUPPLIES FOR FARM PRODUCTION, SUGGEST THAT THERE SHOULD BE LITTLE DIFFICULTY ACHIEVING THE ESTIMATED 5 MILLION TON U.S. PRODUCTION INCREASE.

18. ATTENDANCE. MEMBERSHIP REPORT INDICATED 53 COUNTRIES, NOT INCLUDING IRAQ, ITALY, AND EC WHICH STILL UNDER EXTENSIONS OF TIME FOR RATIFICATION HAVE RATIFIED WTC 1971. CREDENTIALS REPORT INDICATED THAT COUNCIL MEETING ATTENDED BY 34 COUNTRIES PLUS EC AND ITS MEMBER STATES AND OBSERVERS FROM FAO, GATT, AND WFP. ACCORDING TO PRIVATE CONVERSATION WITH EXECUTIVE SECRETARY, UNCTAD OBSERVER CANCELED PLAN TO ATTEND DUE TO FACT THAT PRC REPRESENTS CHINA IN UN WHILE ROC REPRESENTS CHINA IN IWC; THIS DECISION REPORTEDLY STEMMED FROM DISCUSSIONS BETWEEN UNCTAD AND PRC REPS DURING RECENT DAYS.

19. FAO FOOD SECURITY PROPOSAL. COUNCIL AGREED IWC SECRETARIAT SHOULD COOPERATE WITH FAO IN PROVIDING INFORMATION RELATIVE TO FAO PROPOSAL ON WORLD FOOD SECURITY. EXEC SECRETARY, HOWEVER, MUST OBTAIN APPROVAL OF EXECUTIVE COMMITTEE BEFORE UNDERTAKING ANY SPECIAL WORK RELATED TO FAO PROPOSAL ON FOOD SECURITY.

20. USSR PARTICIPATION. IN CONTRAST TO EARLIER IWC SESSIONS WHERE USSR PLAYED PASSIVE ROLE, USSR DEL PARTICIPATED ACTIVELY IN ALL DISCUSSIONS DURING 67TH SESSION.

21. FUTURE MEETINGS. IN PREPARATION FOR CONFERENCE OF GOVERNMENTS SCHEDULED FOR AFTERNOON FEB. 21, IWC WILL MEET AGAIN ON MORNING OF FEB. 21. ADVISORY SUBCOMMITTEE ON MARKET CONDITIONS WILL MEET FEB. 19. IWC

EXECUTIVE COMMITTEE AND FOOD AID COMMITTEE WILL MEET
FEB. 20. SUMMER SESSION OF IWC SCHEDULED FOR LONDON
DURING WEEK BEGINNING JUNE 24.
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Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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30 JUN 2005

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